



VENETA URBAN RENEWAL AGENCY
(A Component Unit of the City of Veneta)
Veneta, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2015



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

AGENCY OFFICIALS

June 30, 2015

MAYOR

Sandra Larson

BOARD OF DIRECTORS

Thomas Cotter, Chair

Tim Brooker

Victoria Hedenstrom

Thomas Laing

CITY ADMINISTRATOR

R. Ric Ingham

FINANCE DIRECTOR

Shauna Hartz

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

TABLE OF CONTENTS

June 30, 2015

Page
Number

INTRODUCTORY SECTION

Title Page
Agency Officials
Table of Contents

FINANCIAL SECTION

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balances to Net position of Governmental Activities.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Basic Financial Statements.....	15-25
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	26
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	27

OTHER FINANCIAL SCHEDULES

Schedule of Property Tax Transactions	28
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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Independent Auditor's Report Required by Oregon State Regulations	29-30
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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Veneta Urban Renewal Agency
Veneta, Oregon 97487

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Veneta Urban Renewal Agency, a component unit of the City of Veneta, Oregon as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Veneta Urban Renewal Agency, Veneta, Oregon as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 26, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Veneta Urban Renewal Agency's basic financial statements as a whole. The individual fund schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of property tax transactions has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 23, 2016 on our tests of the Agency's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC

By: 

Glen O. Kearns, CPA

Albany, Oregon
February 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

VENETA URBAN RENEWAL AGENCY

Veneta, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Veneta Urban Renewal Agency, a component unit of the City of Veneta, Oregon, we offer readers this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2015. It should be read in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2015, total net position of Veneta Urban Renewal Agency amounted to \$182,997. The amount represents \$1,545,589 of net position restricted for various purposes and (\$1,362,592) of unrestricted net position.
- The Agency's total net position increased by \$406,843 during the current fiscal year.
- Overall revenues of \$719,712 exceeded total expenditures of \$312,869 by \$406,843.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Veneta Urban Renewal Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Agency's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include general government, specifically urban renewal.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of Veneta Urban Renewal Agency are governmental funds.

□ **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Debt Service Funds, which are considered to be major governmental funds.

Veneta Urban Renewal Agency adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General and Debt Service Funds to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 25 of this report.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$182,997 at the close of the most recent fiscal year.

Agency's Net position

At the end of the current fiscal year, the Agency reported a positive balance in restricted net position and a negative balance in unrestricted net position. The Agency's net position increased by \$406,843 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2015	2014
Assets		
Restricted assets	\$ 1,608,991	\$ 1,386,930
Total assets	<u>1,608,991</u>	<u>1,386,930</u>
Liabilities		
Current liabilities	235,994	220,776
Noncurrent liabilities	<u>1,190,000</u>	<u>1,390,000</u>
Total liabilities	<u>1,425,994</u>	<u>1,610,776</u>
Net position		
Restricted for various purposes	1,545,589	1,331,397
Unrestricted	<u>(1,362,592)</u>	<u>(1,555,243)</u>
Total net position	<u>\$ 182,997</u>	<u>\$ (223,846)</u>

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Agency's Changes in Net position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
General revenues		
Property taxes	\$ 715,109	\$ 656,402
Investment earnings	<u>4,603</u>	<u>2,118</u>
Total general revenues	<u>719,712</u>	<u>658,520</u>
Program expenses		
General government	223,389	29,295
Interest on long-term debt	<u>89,480</u>	<u>94,825</u>
Total program expenses	<u>312,869</u>	<u>124,120</u>
Excess (deficiency) of revenues over expenditures	406,843	534,400
Net position - beginning	<u>(223,846)</u>	<u>(758,246)</u>
Net position - ending	<u><u>\$ 182,997</u></u>	<u><u>\$ (223,846)</u></u>

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the Agency's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Agency's governmental funds reported total fund balances of \$1,545,589, an increase of \$214,192 from the prior year.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

DEBT ADMINISTRATION

Long-Term Liabilities

At the end of the current fiscal year, the Agency had total debt outstanding of \$1,390,000. This amount is comprised of urban renewal bonds. The Agency's total debt decreased by \$190,000 during the current fiscal year.

Additional information on the Agency's long-term debt can be found in Note III-B on pages 24 through 25 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the Agency was aware of the following circumstances that could affect its future financial health:

- There are no significant changes expected in resources for the upcoming fiscal year
- The Agency will continue to support the City financially for re-paying the debt incurred for the construction of the water pipeline from Eugene. The Agency also plans to support, directly or through the City, projects related to economic development and the core downtown area.
- The fund balance in both of the Agency's funds increased modest amounts during the 2014-2015 fiscal year. The same results are expected for fiscal year 2015-16.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Shauna Hartz, Finance Director, Veneta Urban Renewal Agency, P.O. Box 458, Veneta, Oregon 97487.

BASIC FINANCIAL STATEMENTS

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Restricted assets	
Cash and cash equivalents	\$ 1,550,841
Cash with agent	1,429
Property taxes receivable	56,541
Prepaid assets	<u>180</u>
Total restricted assets	<u>1,608,991</u>
 LIABILITIES	
Current liabilities	
Accounts payable	6,861
Accrued interest	29,133
Long-term liabilities, current portion	<u>200,000</u>
Total current liabilities	<u>235,994</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>1,190,000</u>
Total liabilities	<u>1,425,994</u>
 NET POSITION	
Restricted for various purposes	1,545,589
Unrestricted	<u>(1,362,592)</u>
Total net position	<u>\$ 182,997</u>

The accompanying notes are an integral part of these financial statements.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	Revenue and
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	Changes in
			<u>Contributions</u>	<u>Contributions</u>	Net Position
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
General Government	\$ 223,389	\$ -	\$ -	\$ -	(223,389)
Interest on debt	<u>89,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,480)</u>
Total governmental activities	<u>312,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(312,869)</u>
General revenues					
Property taxes					715,109
Investment earnings					<u>4,603</u>
Total general revenues					<u>719,712</u>
Change in net position					406,843
Net position - beginning					<u>(223,846)</u>
Net position - ending					<u>\$ 182,997</u>

The accompanying notes are an integral part of these financial statements.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Debt Service Fund	Total Governmental
ASSETS			
Cash and cash equivalents	\$ 397,392	\$ 1,153,449	\$ 1,550,841
Cash with agent	-	1,429	1,429
Property taxes receivable	-	56,541	56,541
Prepaid assets	180	-	180
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 397,572</u>	<u>\$ 1,211,419</u>	<u>\$ 1,608,991</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,861	-	\$ 6,861
	<u> </u>	<u> </u>	<u> </u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	56,541	56,541
	<u> </u>	<u> </u>	<u> </u>
Fund balances			
Nonspendable - prepaid assets	180	-	180
Restricted for:			
Capital projects	390,531	-	390,531
Debt service	-	1,154,878	1,154,878
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>390,711</u>	<u>1,154,878</u>	<u>1,545,589</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 397,572</u>	<u>\$ 1,211,419</u>	<u>\$ 1,608,991</u>

The accompanying notes are an integral part of these financial statements.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

For the Year Ended June 30, 2015

Total fund balances			\$ 1,545,589
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 15 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.			56,541
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:			
Accrued interest payable	(29,133)		
Long-term liabilities payable	<u>(1,390,000)</u>	<u>(1,419,133)</u>	
Net position of governmental activities			\$ <u>182,997</u>

The accompanying notes are an integral part of these financial statements.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	General Fund	Debt Service Fund	Total Governmental
REVENUES			
Property taxes	\$ -	\$ 711,407	\$ 711,407
Investment earnings	1,046	3,557	4,603
	<u>1,046</u>	<u>3,557</u>	<u>4,603</u>
Total revenues	<u>1,046</u>	<u>714,964</u>	<u>716,010</u>
EXPENDITURES			
Current			
General government - urban renewal	223,389	-	223,389
Debt service	-	578,429	578,429
	<u>-</u>	<u>578,429</u>	<u>578,429</u>
Total expenditures	<u>223,389</u>	<u>578,429</u>	<u>801,818</u>
Excess (deficiency) of revenues over expenditures	(222,343)	136,535	(85,808)
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	300,000	-	300,000
	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Net change in fund balances	77,657	136,535	214,192
Fund balances - beginning	313,054	1,018,343	1,331,397
	<u>313,054</u>	<u>1,018,343</u>	<u>1,331,397</u>
Fund balances - ending	<u>\$ 390,711</u>	<u>\$ 1,154,878</u>	<u>\$ 1,545,589</u>

The accompanying notes are an integral part of these financial statements.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net change in fund balances	\$ 214,192
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Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Loan proceeds	(300,000)	
Change in accrued interest	(1,051)	
Debt principal paid	<u>490,000</u>	188,949

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.

3,702

Change in net position	<u><u>\$ 406,843</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the Agency. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported by the Agency.

B. Reporting Entity

Veneta Urban Renewal Agency was established by the City of Veneta on January 28, 1985. The Agency is governed by the Mayor and City Council of the City of Veneta. The Agency's General and Debt Service Funds are included as a blended component unit in the City of Veneta's financial statements as a special revenue and debt service fund, respectively.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from all governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Agency reports the following major governmental funds:

General Fund – The General Fund is the Agency's primary operating fund. It accounts for all financial resources of the Agency except for those required to be accounted for in another fund. The primary sources of revenue are loan proceeds and interest earnings.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt. The primary source of revenue is property taxes.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 15 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 15 days of year end). All other revenue items are considered to be measureable and available only when cash is received by the government.

F. Budgetary Information

The Agency budgets all funds in accordance with the requirements of state law. An annual appropriated budget is adopted for the General and Debt Service Funds. All funds are budgeted on the modified accrual basis of accounting.

In early spring a preliminary budget calendar, budget preparation manual and budget worksheets are distributed to appropriate department directors. The City Administrator (Agency Director) and

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

the Finance Director develop a proposed budget, after which the Agency Director publishes two notices of Budget Committee meetings. No less than five days, or more than thirty days after the notices are published, the Budget Committee (consisting of the Agency Board and an equal number of citizens of the City of Veneta) meets to consider the proposed budget. The Budget Message is delivered, explaining the proposed budget and any significant changes in the Agency's financial assets. The Budget Committee conducts public meetings for the purpose of obtaining citizens' comments, deliberates on, and subsequently approves the proposed budget, which includes any additions or deletions from the one presented by the Agency Director originally. The Budget Committee then submits the approved budget to the Agency Board for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the board without returning to the Budget Committee for a second approval. After the board adopts the budget and certifies the total of ad valorem taxes to be levied, as approved by the budget committee, no additional tax levy may be made for that fiscal year. The Agency Board legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is the object group level (ie personnel services, materials and services, capital outlay, and other expenditures). Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The Agency does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

2. Investments

State statutes authorize the Agency to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Capital Assets

All capital assets, which include property and infrastructure assets (e.g. roads, bridges, sidewalks, etc.), become capital assets of the City of Veneta (primary government) and, therefore, are not reported on the Agency's Statement of Net Position.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The Agency has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The Debt Service Fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method, which does not differ significantly from

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The Agency has not formally adopted a policy for commitment or assignment of unrestricted fund balance. The Agency has not formally adopted a minimum fund balance policy.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15. Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 15 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash Deposits with Financial Institutions

Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the Agency to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The Agency's policy, which adheres to state law, is to limit its investments to the following: issuers within Oregon must be rated "A" (bonds) or A-2/P-2 (commercial paper) or better by Standard & Poor's or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

Investments

As of June 30, 2015, the Agency had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value	Credit Quality Rating
Oregon Local Government Investment Pool	100%	-	<u>\$ 1,003,609</u>	Unrated

Interest Rate Risk

In accordance with its investments policy, the Agency manages its exposure to declines in fair value of its investments by limiting investment maturity.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

Concentration of Credit Risk

The Agency's policy for investing in individual issuers varies depending on the type of investments. U.S. Treasury and agency securities do not have restrictions regarding concentration with any one issuer.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. The Agency does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned.

All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at Key Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2015, the District's had deposits of \$250,000 insured by the FDIC and \$297,233 collateralized under the PFCP.

Deposits

The District's deposits and investments at June 30, 2015 are as follows:

Checking accounts	\$ 547,232
Total investments	<u>1,003,609</u>
Total cash and investments	<u><u>\$ 1,550,841</u></u>

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

Cash and investments by fund:

Governmental activities - restricted	
General Fund	\$ 397,392
Debt Service Fund	<u>1,153,449</u>
Total cash and investments	<u>\$ 1,550,841</u>

B. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Urban Renewal Bonds,							
Series 2001	3.9 - 5.67%	\$ 3,360,000	\$ 1,580,000	\$ -	\$ 190,000	\$ 1,390,000	\$ 200,000
Banner Bank LOC	4.75%	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total long-term liabilities		<u>\$ 3,660,000</u>	<u>\$ 1,580,000</u>	<u>\$ 300,000</u>	<u>\$ 490,000</u>	<u>\$ 1,390,000</u>	<u>\$ 200,000</u>

2. Urban Renewal Bonds

In December 2000, the Agency passed a resolution authorizing the issuance of Urban Renewal Bonds in the amount of \$3,360,000. Interest rates range from 3.9% - 5.67%. Proceeds were used to finance the costs of various urban renewal projects.

3. Banner Bank Line of Credit

In June 2015, the Agency opened a line of credit with Banner Bank in the amount of \$300,000. The interest rate was fixed at 4.75%. Proceeds were used to finance the costs of various urban renewal projects. This line of credit was fully repaid during the current fiscal year.

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

4. Governmental Activity Future Maturities of Loan Payable

Year Ending June 30	Urban Renewal Bonds, Series 2001		
	Principal	Interest	Total
2016	\$ 200,000	\$ 77,688	\$ 277,688
2017	215,000	66,938	281,938
2018	225,000	54,844	279,844
2019	235,000	42,188	277,188
2020	250,000	28,968	278,968
2021-2025	265,000	14,906	279,906
Total	<u>\$ 1,390,000</u>	<u>\$ 285,532</u>	<u>\$ 1,675,532</u>

III. OTHER INFORMATION

A. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Subsequent Events

Management has evaluated subsequent events through February 23, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP
			Budget Basis	Adjustments	Basis
REVENUES					
Investment earnings	\$ 350	\$ 696	\$ 1,046	\$ -	\$ 1,046
EXPENDITURES					
Current					
Materials and services	68,325	(51,803)	16,522	(16,522)	-
Urban renewal	-	-	-	223,389	223,389
Contingency	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>73,325</u>	<u>(56,803)</u>	<u>16,522</u>	<u>206,867</u>	<u>223,389</u>
Excess (deficiency) of revenues over (under) expenditures	(72,975)	57,499	(15,476)	(206,867)	(222,343)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	300,000	-	300,000	-	300,000
Transfers out	<u>(302,000)</u>	<u>(95,133)</u>	<u>(206,867)</u>	<u>206,867</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,000)</u>	<u>(95,133)</u>	<u>93,133</u>	<u>206,867</u>	<u>300,000</u>
Net change in fund balance	(74,975)	(37,634)	77,657	-	77,657
Fund balance - beginning	<u>295,167</u>	<u>17,887</u>	<u>313,054</u>	<u>-</u>	<u>313,054</u>
Fund balance - ending	<u>\$ 220,192</u>	<u>\$ (19,747)</u>	<u>\$ 390,711</u>	<u>\$ -</u>	<u>\$ 390,711</u>

SUPPLEMENTARY INFORMATION

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Property taxes	\$ 611,700	\$ 100,979	\$ 712,679	\$ (1,272)	\$ 711,407
Investment earnings	<u>275</u>	<u>3,282</u>	<u>3,557</u>	<u>-</u>	<u>3,557</u>
Total revenues	<u>611,975</u>	<u>104,261</u>	<u>716,236</u>	<u>(1,272)</u>	<u>714,964</u>
EXPENDITURES					
Debt service	<u>580,550</u>	<u>(2,121)</u>	<u>578,429</u>	<u>-</u>	<u>578,429</u>
Excess (deficiency) of revenues over (under) expenditures	31,425	106,382	137,807	(1,272)	136,535
Fund balance - beginning	<u>938,778</u>	<u>79,565</u>	<u>1,018,343</u>	<u>-</u>	<u>1,018,343</u>
Fund balance - ending	<u><u>\$ 970,203</u></u>	<u><u>\$ 185,947</u></u>	<u><u>\$ 1,156,150</u></u>	<u><u>\$ (1,272)</u></u>	<u><u>\$ 1,154,878</u></u>

OTHER FINANCIAL SCHEDULES

VENETA URBAN RENEWAL AGENCY
Veneta, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2015

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2014</u>	<u>2014-2015 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2015</u>
2014-2015	\$ -	\$ 736,507	\$ (22,316)	\$ 694,060	\$ 20,131
2013-2014	19,908	-	(1,392)	7,571	10,945
2012-2013	11,703	-	(1,131)	2,842	7,730
2011-2012	8,220	-	(107)	2,994	5,119
2010-2011	5,174	-	(84)	1,487	3,603
2009-2010	3,472	-	(78)	195	3,199
2008-2009	571	-	-	124	390
Prior	<u>5,545</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>5,424</u>
Subtotal - Prior	<u>54,593</u>	<u>-</u>	<u>(2,792)</u>	<u>15,299</u>	<u>36,410</u>
Total	<u>\$ 54,593</u>	<u>\$ 736,507</u>	<u>\$ (25,108)</u>	709,359	<u>\$ 56,541</u>
Add:					
Other taxes and interest				<u>2,048</u>	
Total available				711,407	
Less: Turnovers to District				<u>709,978</u>	
Undistributed taxes with county, June 30, 2015				<u>\$ 1,429</u>	

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Veneta Urban Renewal Agency
Veneta, Oregon 97023

We have audited the basic financial statements of Veneta Urban Renewal Agency as of and for the year ended June 30, 2015, and have issued our report thereon dated February 23, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Veneta Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Veneta Urban Renewal Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Veneta Urban Renewal Agency's internal control over financial reporting.

This report is intended solely for the information and use of the board of directors and management of Veneta Urban Renewal Agency and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is stylized and cursive.

Accuity, LLC

February 23, 2016